PROVINCE OF SASKATCHEWAN

2007

ANNUAL REPORT

EXTENDED HEALTH CARE PLAN FOR CERTAIN OTHER RETIRED EMPLOYEES

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Letter of Transmittal

His Honour, The Honourable Dr. Gordon L. Barnhart
Lieutenant Governor of the Province of Saskatchewan
Government House
4607 Dewdney Avenue
Regina, Saskatchewan
S4P 3V7

Dear Sir:

Letter of Transmittal

I have the honour to transmit herewith the sixth Annual Report of the Extended Health Care Plan For Certain Other Retired Employees for the year ending December 31, 2007.

I have the honour to be, Sir,

Your obedient servant,

Rod Gantefoer
Minister of Finance

Letter of Transmittal

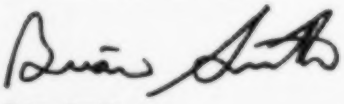
The Honourable Rod Gantefoer
Minister of Finance
Regina, Saskatchewan

Sir:

Letter of Transmittal

On behalf of the Public Employees Benefits Agency, I have the honour to transmit herewith the sixth Annual Report of the Extended Health Care Plan For Certain Other Retired Employees for the year ending December 31, 2007.

Respectfully submitted,



Brian Smith
Assistant Deputy Minister
Public Employees Benefits Agency

Extended Health Care Plan for Certain Other Retired Employees

Introduction

The Extended Health Care Plan For Certain Other Retired Employees was established on January 15, 2002.

The Fund is used to account for the transactions of the Extended Health Care Plan For Certain Other Retired Employees which provides health care benefits to certain out-of-scope retired employees.

As at December 31, 2007, participation in the Plan has been approved by the Lieutenant Governor in Council for out-of-scope retired employees of the Government of Saskatchewan as defined under *The Public Service Act.*

Advisory Committee Members

Brian Smith
Saskatchewan Finance (PEBA)

Don Zerr
Public Service Commission

Kevin Wilson
Saskatchewan Health

Will Loewen
Public Service Commission

Participating Employers

The following employers participate in the Extended Health Care Plan for Certain Other Retired Employees:

Board of Arbitration under *The Surface Rights Acquisition and Compensation Act* (The)
Chief Electoral Officer (Office of the)
Children's Advocate (Office of the)
Farm Land Security Board
Horned Cattle Fund
Information and Privacy Commissioner (Office of the)
Milk Control Board
Ombudsman (Office of the)
The Government of Saskatchewan with respect to members of the Public Service of Saskatchewan as defined under *The Public Service Act, 1998*
Saskatchewan Archives Board
Saskatchewan Municipal Board

Administration

The Public Employees Benefits Agency has established a fund pursuant to *The Financial Administration Act, 1993* for the purpose of providing benefits under the Plan. An Advisory Committee is responsible for the management and investment of the Fund. The Advisory Committee consists of 4 representatives as nominated by the Saskatchewan Public Service Commission and appointed by Minister's Order.

The Plan pays a premium subsidy to Group Medical Services on behalf of PS/GE SGEU retirees. The Plan's risk is limited to the payment of the monthly premium subsidy as follows under the new two year contract effective January 1, 2008:

Single	$14.00	per month
Couple	$28.00	per month
Family	$35.00	per month

Under the two year contract which expired December 31, 2007 the monthly premium subsidy was as follows:

Single	$12.00	per month
Couple	$24.00	per month
Family	$30.00	per month

Funding

For the period January 1, 2002 to December 31, 2002, the General Revenue Fund (GRF), on behalf of the Plan, paid premium subsidies to Group Medical Services. The amount paid from the General Revenue Fund was recorded as due to GRF and was repayable with interest.

This amount was repaid in 2003. Effective July 1, 2003 funding for the Plan became employer paid at a rate of .25% of straight time annual payroll.

Benefits

A retiree is eligible for benefits immediately following retirement. Claims are paid on behalf of all family members and covers certain health and vision care benefits.

Management's Report

To the Members of the Legislative Assembly of Saskatchewan

As members of management of the Extended Health Care Plan For Certain Other Retired Employees, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

We believe the Extended Health Care Plan For Certain Other Retired Employees has a system of internal control adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian generally accepted accounting principles.

An Advisory Committee, as nominated by the Public Service Commission and appointed by Minister's Order, has been established and is responsible for reviewing the ongoing operations of the Plan.

We enclose the financial statements of the Extended Health Care Plan For Certain Other Retired Employees for the year ended December 31, 2007 and the Provincial Auditor's report on these financial statements.

Brian Smith
Assistant Deputy Minister
Public Employees Benefits Agency

Perry Bahr
Director, Benefit Programs
Public Employees Benefits Agency

Kathy Deck
Director, Financial Services
Public Employees Benefits Agency

Regina, Saskatchewan
February 29, 2008

Extended Health Care Plan For Certain Other Retired Employees

Financial Statements

Year Ended December 31, 2007

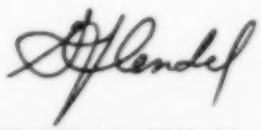
Auditor's Report

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Extended Health Care Plan for Certain Other Retired Employees as at December 31, 2007 and the statements of operations and net assets, and cash flows for the year then ended. The Plan's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Regina, Saskatchewan
February 29, 2008

Fred Wendel, CMA, CA
Provincial Auditor

Extended Health Care Plan For Certain Other Retired Employees
Statement of Financial Position

Statement 1

As At December 31

	2007	2006
ASSETS		
Due from General Revenue Fund (Note 3)	$ 34,982	$ 52,754
Short-term investment (Note 4)	1,348,562	939,787
Employer contributions receivable	33,805	30,189
Accrued interest income	-	6,794
	1,417,349	1,029,524
LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	1,913	1,573
Net assets (Statement 2)	$1,415,436	$1,027,951

(See accompanying notes to the financial statements)

Extended Health Care Plan For Certain Other Retired Employees
Statement of Operations and Net Assets

Statement 2

For The Year Ended December 31

	2007		2006
	Budget (Note 7)	Actual	Actual
REVENUES			
Employer contributions (Note 1)	$ 361,500	$ 390,343	$ 343,673
Interest income (Notes 3 & 4)	47,000	51,797	33,019
	408,500	442,140	376,692
EXPENSES			
Insurance premium subsidy (Note 1)	37,900	41,640	33,180
Administration (Note 6)	21,035	13,015	11,991
	58,935	54,655	45,171
Surplus for the year	349,565	387,485	331,521
NET ASSETS, BEGINNING OF YEAR	1,027,951	1,027,951	696,430
NET ASSETS, END OF YEAR (Statement 1)	$1,377,516	$1,415,436	$1,027,951

(See accompanying notes to the financial statements)

Extended Health Care Plan For Certain Other Retired Employees
Statement of Cash Flows

Statement 3

For The Year Ended December 31

	2007	2006
Cash flows from (used in) operating activities:		
Employer contributions received	$ 386,727	$ 340,399
Interest income received	49,097	26,225
Insurance premium subsidies paid	(41,640)	(33,180)
Administration expenses paid	(12,675)	(12,768)
Cash flows from operating activities	381,509	320,676
Cash flows from (used in) investing activities:		
Purchase of investments	(4,711,983)	(3,222,430)
Proceeds from disposal of investments	4,312,702	2,282,643
Cash flows used in investing activities:	(399,281)	(939,787)
Net decrease in due from General Revenue Fund	(17,772)	(619,111)
DUE FROM GENERAL REVENUE FUND, BEGINNING OF YEAR	52,754	671,865
DUE FROM GENERAL REVENUE FUND, END OF YEAR	$ 34,982	$ 52,754

(See accompanying notes to the financial statements)

Extended Health Care Plan For Certain Other Retired Employees
Notes to the Financial Statements

December 31, 2007

1. Description of the Plan

The Extended Health Care Plan for Certain Other Retired Employees (Plan) was established on January 15, 2002 pursuant to subsection 64(2) of *The Financial Administration Act, 1993*. The Plan provides extended health care benefits to eligible out-of-scope retired employees of the Government of Saskatchewan.

The Government through the Minister of Finance entered into an agreement with Group Medical Services (GMS) to provide eligible retirees with extended health coverage that expired on December 31, 2007. A new 2 year agreement effective January 1, 2008 has been negotiated with GMS. The retirees are responsible to pay GMS the premiums set out in the agreement less a premium subsidy which is paid by the Plan. The Plan's risk is limited to the payment of a monthly premium subsidy to GMS for eligible retirees. The monthly premium subsidy for the year was $12.00 for a single policy, $24.00 for a couple policy and $30.00 for a family policy. Effective January 1, 2008 the monthly premium subsidy increased to $14.00 for a single policy, $28.00 for a couple policy and $35.00 for a family policy.

The Plan is funded by employers, whose participation in the Plan has been approved by the Lieutenant Governor in Council. Funding for the Plan commenced July 1, 2003. The Minister of Finance approved a contribution rate of 0.25% of the regular pay of current out-of-scope employees.

The Public Employees Benefits Agency (PEBA) manages the Plan under direction from the Advisory Committee. The Advisory Committee is made up of employers' representatives appointed by Minister's Order.

2. Significant Accounting Policies

The financial statements are prepared in accordance with Canadian generally accepted accounting principles. The following accounting policies are considered significant.

a) Employer Contributions

Employers are billed premiums at the end of each month. Premiums are recognized as revenue when due.

b) Interest Revenue

Interest is recognized as income when earned.

c) Financial Instruments

Effective, January 1, 2007, the Plan adopted the recommendations of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855 -Financial Instruments-Recognition and

Measurement. Under these new standards, all financial assets and financial liabilities must be identified and classified. This classification determines how each financial instrument is measured. The Plan's financial instruments and their classification are as follows:

Financial Instrument	Classification
Due from General Revenue Fund	Held for trading
Employer contributions receivable	Loans and receivables
Short-term investments	Held for trading
Accounts payable and accrued liabilities	Other financial liabilities

Held for trading financial assets and liabilities are measured at fair value. Changes in the fair value are recognized in the Statement of Operations and Net Assets. For short-term investments, fair value is determined as cost plus accrued income, which approximates market value. Loans and receivables and other financial liabilities are measured at amortized cost. Due to their short-term nature, the amortized cost of these instruments approximates their fair value.

This change in accounting policy did not have a significant impact on the Plan's financial statements at the time of adoption.

d) Recent Accounting Pronouncements

Effective January 1, 2008, the Plan will be required to adopt the CICA Handbook Sections 3862 – Financial Instruments – Disclosures, and 3863 – Financial Instruments – Presentation. Section 3862 provides standards for disclosure of the risks arising from financial instruments to which the Plan is exposed, and how the risks are managed by the Plan. Section 3863 provides standards for the presentation of financial instruments and non-financial instrument derivatives. The Plan does not expect the adoption of these new standards to have a material impact on its financial statements.

3. Due from General Revenue Fund

The Plan's bank account is included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan. The Plan's earned interest is calculated and paid by the General Revenue Fund on a quarterly basis into the Plan's bank account using the Government's thirty day borrowing rate, and the Plan's average daily bank account balance. The Government's average thirty day borrowing rate in 2007 was 4.26% (2006 – 3.95%).

4. Short-Term Investments

Short-term investments are comprised of T-Bills, notes and commercial paper with effective interest rates of 3.9% to 4.8% (2006 – 4.2% to 4.3%) and an average remaining term to maturity of 49 (2006 – 41) days. Investments are purchased through the Treasury and Debt Management Branch of the Ministry of Finance and are subject to the Ministry's investment guidelines. The guidelines require that investments must meet a minimum investment standard of "R-1" rating, as rated by a recognized credit rating service.

5. Financial Instruments Risks

The Plan is exposed to minimal credit risk from the potential non-payment of employer contributions receivable as these receivables are from government agencies and were collected shortly after year-end.

6. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Plan by virtue of common control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties"). Related party transactions with the Plan are in the normal course of operations and are recorded at the agreed upon exchange amounts charged by these organizations.

All employer contributions and employer contributions receivable are from related parties. Also, in 2007, PEBA charged the Plan $13,015 (2006 – $11,991) for administration expenses. Included in accounts payable and accrued liabilities is $1,913 (2006 – $1,573) due to PEBA.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and notes thereto.

7. Budget

PEBA prepares the budget for approval by the Advisory Committee.